

EXECUTIVE SUMMARY

BUDGET MESSAGE

Gap [gap], *noun*, - a wide divergence or difference; disparity.

Not the word you're looking for in a budget message. But, like most local governments across the nation, we are where we are. Notwithstanding more than \$3.6 million in expenditure reductions and incorporation of the planned 3¢ increase in the real estate property tax rate, a gap of \$1.85 million remains between revenues and expenditures. That's the equivalent of another 13.3¢ on the real estate tax rate. Our work is cut out for us over the next six weeks.

State and federal revenues, which accounted for 50% of your FY 2010 budget will decrease by more than 10% in FY 2011. Local revenues are shrinking as well, with general property taxes down more than 4% in the absence of any rate increases.

Continued heavy reliance on the unappropriated general fund reserve is not a sustainable fiscal strategy. This draft budget already incorporates the use of more than \$550,000 from the reserve in FY 2011 and additional funding from this source should be considered with caution.

In addition to shrinking revenues, there are new expenses that are unavoidable. Work must begin on the 2012 real property reassessment - that adds \$180,000 to the bottom line. In addition, the new Courtland wastewater treatment plant goes on-line in July 2010 - along with that comes increased staffing requirements and additional operating expenses - another \$413,464.

As you know, there are only three fundamental measures at your disposal to balance the budget - further reduce expenditures, identify additional revenue sources, or some combination of both. It won't be easy. This remains a work in progress.

Southampton County Total Budget

Draft FY 2011	\$53,263,570
Adopted FY 2010	- \$56,885,219
Change	<u>\$ (3,621,649)</u>

Salient Points:

- Draft budget is not yet balanced - despite expenditure reductions of \$3.6 million, a \$1.85 million gap remains between expenditures and projected revenues;
- State and federal revenues will decrease by \$2.85 million in FY 2011;
- General property taxes, the primary local revenue stream, are expected to decrease by more than 4% (\$700,000) in the absence of any rate increases;
- Already includes a 3¢ increase on the real estate tax rate to cover increased debt service;
- Does not currently include additional local funding for school operations - \$644,000 short of school board request;
- Provides level or reduced funding for 64% (32 of 50) of departments and agencies included in the general fund;
- Provides no salary increases for county employees;
- Includes funding to begin work on the mandated 2012 real property reassessment;
- Includes 7 new positions - 6 in Public Utilities to meet the mandated staffing requirements at the new Courtland WWTP (opening July 2010), and one additional Animal Control Officer.

REVENUES

State revenues, which make up 43.3% of the FY 2010 budget are projected to decrease by 6.68% overall (on top of the 8.36% decrease last year), most of which translates to reduced funding for K-12 education. In addition to public education, state funds are used primarily to support daily operations in the offices of our 5 constitutional officers — Commonwealth's Attorney, Clerk of the Court, Sheriff, Treasurer, and Commissioner of the Revenue. The Board has little, if any, discretion in how state funds are spent. These revenues are collectively projected to decrease overall by 6.27%. State funds for Public Assistance will remain fairly constant in FY 2011 (+1.03%).

Federal revenues accounted for 6.3% of the FY 2010 budget and were primarily targeted to the public school system. While federal stimulus funding provided much-needed relief to Southampton County Schools in FY 2010, it is sorely missing in FY 2011. Federal funding is down almost 34% equating to the loss of more than \$1.12 million.

On the local level, the trend is similar. Increasing participation in the land use value taxation program and the tax relief program for the elderly and handicapped caused real estate tax revenues to decrease by more than \$150,000 (before the proposed rate increase). Substantially lower values on motor vehicles yielded a precipitous decline in personal property tax revenues of more than \$700,000. A graphic breakdown of local revenue sources is illustrated on the following pages.

EXPENDITURES - GENERAL FUND

- 1) *General and Financial Administration* - shows an overall increase of 3.13%, but that includes the required \$180,000 for the real property reassessment — otherwise, spending is proposed to reduce by 5.76% in this category.
- 2) *Judicial Administration* - indicates an overall decrease of 5.2% borne primarily by the Sheriff (Bailiff), Commonwealth's Attorney and Circuit Court Judge.
- 3) *Public Safety* - decreased overall by 0.65% — while law enforcement and detention were reduced to mitigate state funding reductions, the savings were mostly offset by the need for an additional animal control officer and contractual services associated with the public safety radio system.
- 4) *Public Works* - while this actually shows a 1.47% decrease, the refuse disposal budget remains more than \$735,00 higher than it was in FY 2009 based upon SPSA's increased tipping fees — the increase was primarily funded with unappropriated reserve funds in FY 2010 — as a recurring expense, this is unsustainable.
- 5) *Health and Welfare* - increased overall by 3.1%, but collectively decreases funding for the Health Department, Western Tidewater Community Services Board, Senior Services of Southeastern Virginia, and the STOP Organization by more than 5%. The overall increase was driven by a 44% increase in costs associated with the *Comprehensive Services Act*.
- 6) *Parks, Recreation & Culture* - includes level funding for Rawls Museum Arts and the Southampton County Historical Society. Funding for the Community Concert

Series was decreased by 3.5% and funding for the Blackwater Regional Library was increased by 1.76%, despite the fact that their total budget was reduced by 2.5% (based upon the cost sharing formula between localities).

- 7) *Community Development* - an overall increase of 0.84% - includes sufficient funding for the 1/3 local share of two vacant Cooperative Extension positions.
- 8) *Non-Departmental* - decreased by \$2,000 — this is revenue shared with the City of Franklin derived directly from International Paper's Converting Innovation Center in accordance with our 1996 agreement. With some of their machinery now idle, tax revenues are decreasing.

PUBLIC ASSISTANCE

Funding for public assistance is proposed to decrease by 0.29% overall, as requested. Local funding will reduce to \$322,971 (8.34%) in FY 2011.

SCHOOLS

Local funding for schools was increased by 2.52% to a total of \$11,042,525 with all of the increase set aside to service debt on Riverdale Elementary. Overall, even with the additional debt service for Riverdale, the total school budget is 7.24% lower than last year. From an operational standpoint, Southampton County Schools will have almost \$2.6 million less to spend in FY 2011. The current funding level is \$644,000 short of the school board request.

BUILDING FUND

This revenue stream is the source of funding for fire and rescue capital improvements/equipment replacement, fleet replacement for the Sheriff's Office, and services a portion of the debt associated with elementary school projects, industrial park development and the public safety radio system. A summary list of all capital projects is illustrated on page 5-1.

ENTERPRISE FUND

The water and sewer operations budget is proposed to increase from \$3,187,135 last year to \$3,573,958 this year representing a 12.14% overall increase. The increase is directly related to the increased cost of operating the new Courtland wastewater treatment plant which is expected to go on-line in July 2010. Operation of the new plant requires an additional 6 employees based upon the revised permit from DEQ. Despite planned rate increases, enterprise fund revenues are insufficient to cover the increased cost of operations, necessitating the transfer of more than \$400,000 from the general fund.

RESERVE FUND

This draft budget proposes to utilize up to \$551,335 of the unappropriated general fund reserve. At this level, under the worst of conditions, the fund balance could drop to \$3 million by the end of FY 2011, the minimum necessary to avoid cash flow problems.

PERSONNEL

This draft budget provides no salary increases in FY 2011. It does, however, provide for a mandated increase in the Virginia Retirement System (VRS) contribution rate, from 10.54% to 11.28% and an increase in the Group Life contribution from 0.79% to 1.11%.

A comprehensive personnel complement and schematic listing of job classifications and salary ranges are provided on the pages following. Respective salaries are included on a spreadsheet attached to each departmental budget.

The County's share of medical insurance premiums is proposed to increase 10.86%, equating to more than \$93,500 annually overall. The employee share of medical insurance premiums is proposed to rise as well, an increase of \$636 annually for employees with family coverage (+10.88%), \$396 annually for employees with dual coverage (11.34%), and \$72 annually for single employees (11.32%).

SOUTHAMPTON COUNTY, VIRGINIA
DRAFT BUDGET SUMMARY FOR FISCAL YEAR ENDING JUNE 30, 2011

REVENUE ESTIMATES

	2009-2010	2010-2011		2009-2010	2010-2011
COUNTY SOURCES					
General Property Taxes	\$ 16,914,365	\$ 16,624,556	BUILDING FUND		
Other Local Taxes	1,540,000	1,552,849	Utility Taxes	464,000	464,000
Permits, Fees, Licenses	98,190	112,690	Carryover - Utility Reserve	3,373,079	1,340,823
Fines & Forfeitures	554,554	560,238	Rental of Property	60,556	60,556
Use of Money & Property	87,000	45,000	Meal Taxes/Refunds	-	154,920
Charges for Service	374,401	413,526	TOTAL BUILDING FUND	3,897,635	2,020,299
Miscellaneous Revenue	763,705	751,612	REVENUE FROM COMMONWEALTH		
TOTAL COUNTY SOURCES	20,332,215	20,060,471	Non-Categorical Aid	170,000	185,000
OTHER COUNTY SOURCES					
Transfer-in/General Fund Reserve	1,102,671	551,336	Categorical Aid	3,688,251	3,456,946
Transfer-in/Inmate Enterprise	0	145,380	Other Categorical Aid	585,745	462,864
School Funds (School Food)	527,680	523,000	School Aid (School Operating)	15,468,578	14,263,175
School Funds (School Operating)	2,000	2,000	School Aid (School Food)	14,500	14,000
TOTAL OTHER COUNTY SOURCES	1,632,351	1,221,716	School Aid (Sales Tax)	2,537,138	2,416,685
ENTERPRISE REVENUE					
Water Service Fees	329,000	326,700	Public Assistance	2,144,041	2,166,179
Sewer Service Fees	814,342	795,000	TOTAL STATE REVENUE	24,608,253	22,964,849
Other Fees/Connections	54,815	49,815	REVENUE FROM FEDERAL SOURCES		
Capitalized Interest	1,646,888	1,646,888	School Aid (School Operating)	1,130,721	11,500
TOTAL ENTERPRISE REVENUE	2,845,045	2,818,403	School Aid (Federal Programs)	1,888,179	1,759,849
			School Aid (School Food)	550,820	550,000
			TOTAL FEDERAL REVENUE	3,569,720	2,327,349
			TOTAL REVENUE - ALL SOURCES	\$56,885,219	\$51,743,087

EXPENDITURE ESTIMATES

	2009-2010	2010-2011		2008-2009	2009-2010
GENERAL FUND					
General Government Administration			ENTERPRISE FUND		
Board of Supervisors	\$ 261,563	\$ 212,986	Enterprise/Sewer	2,545,670	2,832,856
County Administration	334,654	309,736	Enterprise/Water	641,465	741,102
Commissioner of the Revenue	274,401	264,468		3,187,135	3,573,958
Board of Assessors	7,600	180,000	BUILDING FUND		
Treasurer	276,516	271,709	Capital Projects/Debt Service	4,197,635	2,585,763
Delinquent Tax Collection	20,000	5,000	Transfer to School Fund	-	-
Accounting	233,543	220,232		4,197,635	2,585,763
Data Processing	217,407	215,331	SCHOOL FUND		
Insurance/County Code	168,300	177,620	Instruction	18,650,917	23,869,443
Registrar	151,411	148,916	Administration, Attendance & Health	1,314,417	
	1,945,395	2,006,198	Management & Direction - Transportation	2,745,051	
Judicial Administration			Operation and Maintenance Services	3,437,332	
Circuit Court	72,865	64,771	School Food Service and Non Operating	117,593	2,889,829
Combined District Court	24,866	24,866	Facilities	204,026	
Special Magistrates	1,366	1,366	Debt Service	2,618,154	
Clerk of Circuit Court	469,273	469,545	Technology/School Operating	423,375	
Sheriff - Bailiff	430,556	378,194	Rental Textbooks	-	104,509
Courthouse Security	69,008	70,154	Technology	206,000	206,000
Commonwealth's Attorney	509,580	481,881	At-Risk 4 Year Olds	138,049	200,333
Victim Witness Assistance Program	68,154	69,211	Early Reading Intervention	52,374	51,804
	1,645,668	1,560,088	Federal School Funds		
Public Safety			Title I	513,151	578,416
Sheriff - Law Enforcement	1,665,682	1,642,095	Title VIB Flow-Through	644,836	605,504
Enhanced 911	155,513	162,433	Title VI Innovative Education Program	-	-
Wireless 911	44,375	45,256	Substance & Drug Prevention	12,308	-
School Resource Officer	48,482	49,656	Vocation Special Education	49,596	48,597
Volunteer Fire Departments	293,413	293,413	Pre-School Incentive	13,852	12,898
Volunteer Rescue Squads	920,879	920,879	Title IIA Training and Recruitment	146,458	150,436
State Forestry Service	23,367	23,367	Title IID Ed. Tech.	5,446	5,998
Sheriff - Detention	2,667,937	2,565,629	Reading First Grant	166,662	-
Probation	105,614	105,355	21st Century Community Learning	135,870	175,000
Inspections	120,838	123,553	Opportunity, Inc.	200,000	183,000
Animal Control	98,571	150,559	Total School Funds	31,795,467	29,493,734
Medical Examiner	500	500	SCHOOL FOOD		
Emergency Services	93,123	114,828	School Food	1,093,000	1,093,000
	6,238,294	6,197,523		1,093,000	1,093,000
Public Works			VIRGINIA PUBLIC ASSISTANCE FUND		
Streetslights	45,987	45,987	Eligibility Administration	966,750	974,750
Assign-A-Highway	53,415	54,320	Service Administration	736,250	684,200
Refuse Collection	730,810	679,774	Joint Administration	-	-
Refuse Disposal	1,665,562	1,666,372	Benefit Programs	793,400	830,200
Buildings & Grounds	470,948	476,594	Energy Administration	-	-
	2,966,722	2,923,047	VIEW Administration	-	-
Health & Welfare				2,496,400	2,489,150
Health Department	316,606	304,000	TOTAL EXPENDITURES - ALL FUNDS	\$56,885,219	\$53,263,570
WTCBS	76,605	68,944			\$ (1,850,483)
State & Local Hospitalization	-	-	General Fund Reserve	\$ 2,638,934	\$ 3,019,069
Senior Services	13,825	13,000			
Comprehensive Services Act	80,882	117,159			
STOP Organization	1,621	1,621			
	489,539	504,724			
Parks, Recreation & Cultural					
Community Concert Association	5,700	5,500			
Rawls Museum Arts	14,250	14,250			
Historical Society	28,500	28,500			
W.C. Rawls Library	253,433	257,897			
	301,883	306,147			
Community Development					
Planning	279,376	283,388			
Economic Development	150,000	150,000			
Soil & Water Conservation	9,766	9,911			
Cooperative Extension	52,939	52,939			
	492,081	496,238			
Non-Departmental					
Non-Departmental Operating	36,000	34,000			
	36,000	34,000			
TOTAL GENERAL FUND EXPENDITURES	\$ 14,115,582	\$ 14,027,965			

PROPOSED REVENUES

<u>REVENUE SOURCE</u>	<u>FY 2010</u>	<u>DRAFT FY 2011</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General property taxes	\$16,914,365	\$16,624,556	(\$289,809)	(1.71)%
Other local taxes	1,540,000	1,552,849	12,849	0.83%
Permits, fees, licenses	98,190	112,690	14,500	14.77%
Fines & forfeitures	554,554	560,238	5,684	1.03%
Interest	87,000	45,000	(42,000)	(48.28)%
Charges for services	374,401	413,526	39,125	10.45%
Miscellaneous revenue	763,705	751,612	(12,093)	(1.58)%
Transfer - General Fund Reserve	1,102,671	551,336	(551,335)	(50.00)%
Other County Sources	529,680	670,380	140,700	26.56%
Enterprise Fund	2,845,045	2,818,403	(26,642)	(0.94)%
Building Fund	3,897,635	2,020,299	(1,877,336)	(48.17)%
Revenue from the Commonwealth	24,608,253	22,964,849	(1,643,404)	(6.68)%
Revenue from Federal Sources	3,569,720	2,357,349	(1,212,371)	(33.96)%
TOTAL	<u>\$56,885,219</u>	<u>\$51,443,087</u>	<u>(\$5,442,132)</u>	(9.57)%

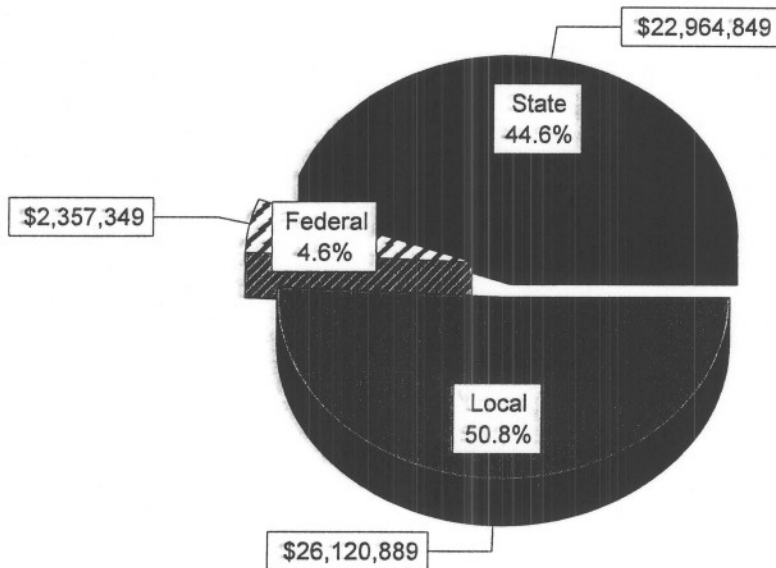
PROPOSED EXPENDITURES

<u>EXPENDITURE SOURCE</u>	<u>FY 2010</u>	<u>DRAFT FY 2011</u>	<u>INCREASE (DECREASE)</u>	<u>PERCENT CHANGE</u>
General & Financial Administration	\$1,945,395	2,006,198	60,803	3.13%
Judicial Administration	1,645,668	1,560,088	(85,580)	(5.20)%
Public Safety	6,238,294	6,197,523	(40,771)	(0.65)%
Public Works	2,966,722	2,923,047	(43,675)	(1.47)%
Health and Welfare	489,539	504,724	15,185	3.10%
Parks, Recreation, Culture	301,883	306,147	4,264	1.41%
Community Development	492,081	496,238	4,157	0.84%
Non-Departmental	36,000	34,000	(2,000)	(5.56)%
School Fund	31,795,467	29,493,734	(2,301,733)	(7.24)%
School Food	1,093,000	1,093,000	0	0.00%
Public Assistance Fund	2,496,400	2,489,150	(7,250)	(0.29)%
Building Fund	4,197,635	2,585,763	(1,611,872)	(38.40)%
Enterprise Fund	3,187,135	3,573,958	386,823	12.14%
TOTAL	<u>\$56,885,219</u>	<u>\$53,263,570</u>	<u>(\$3,621,649)</u>	(6.37)%

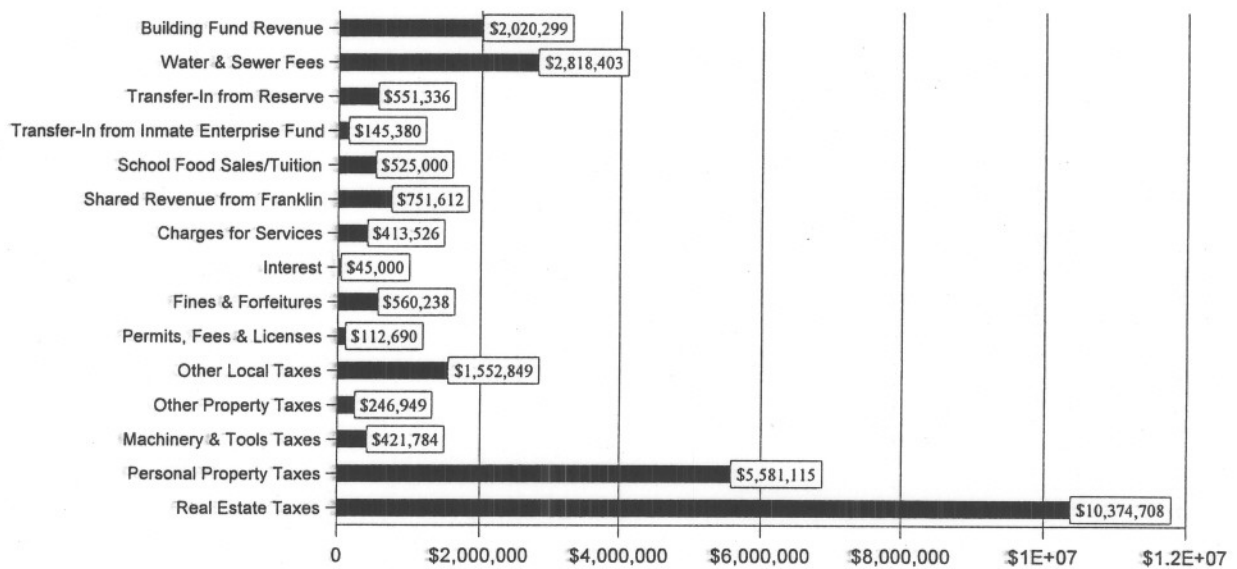
GENERAL FUND SUMMARY OF CHANGES

	2009-2010	2010-2011	Change	%
General Government Administration				
Board of Supervisors	\$ 261,563	\$ 212,986	\$ (48,577)	(18.57)
County Administration	334,654	309,736	(24,918)	(7.45)
Commissioner of the Revenue	274,401	264,468	(9,933)	(3.62)
Board of Assessors	7,600	180,000	172,400	2,268.42
Treasurer	276,516	271,709	(4,807)	(1.74)
Delinquent Tax Collection	20,000	5,000	(15,000)	(75.00)
Accounting	233,543	220,232	(13,311)	(5.70)
Data Processing	217,407	215,331	(2,076)	(0.95)
Insurance/County Code	168,300	177,820	9,520	5.66
Registrar	151,411	148,916	(2,495)	(1.65)
	<u>1,945,395</u>	<u>2,006,198</u>	<u>60,803</u>	<u>3.13%</u>
Judicial Administration				
Circuit Court	72,865	64,771	(8,094)	(11.11)
Combined District Court	24,866	24,866	-	-
Special Magistrates	1,366	1,366	-	-
Clerk of Circuit Court	469,273	469,545	272	0.06
Sheriff - Bailiff	430,556	378,194	(52,362)	(12.16)
Courthouse Security	69,008	70,154	1,146	1.66
Commonwealth's Attorney	509,580	481,981	(27,599)	(5.42)
Victim Witness Assistance Program	68,154	69,211	1,057	1.55
	<u>1,645,668</u>	<u>1,560,088</u>	<u>(85,580)</u>	<u>(5.20)</u>
Public Safety				
Sheriff - Law Enforcement	1,665,682	1,642,095	(23,587)	(1.42)
Enhanced 911	155,513	162,433	6,920	4.45
Wireless 911	44,375	45,256	881	1.99
School Resource Officer	48,482	49,656	1,174	2.42
Volunteer Fire Departments	293,413	293,413	-	-
Volunteer Rescue Squads	920,879	920,879	-	-
State Forestry Service	23,367	23,367	-	-
Sheriff - Detention	2,667,937	2,565,629	(102,308)	(3.83)
Probation	105,614	105,355	(259)	(0.25)
Inspections	120,838	123,553	2,715	2.25
Animal Control	98,571	150,559	51,988	52.74
Medical Examiner	500	500	-	-
Emergency Services	93,123	114,828	21,705	23.31
	<u>6,238,294</u>	<u>6,197,523</u>	<u>(40,771)</u>	<u>(0.65)</u>
Public Works				
Streetlights	45,987	45,987	-	-
Assign-A-Highway	53,415	54,320	905	1.69
Refuse Collection	730,810	679,774	(51,036)	(6.98)
Refuse Disposal	1,665,562	1,666,372	810	0.05
Buildings & Grounds	470,948	476,594	5,646	1.20
	<u>2,966,722</u>	<u>2,923,047</u>	<u>(43,675)</u>	<u>(1.47)</u>
Health & Welfare				
Health Department	316,606	304,000	(12,606)	(3.98)
WTCSSB	76,605	68,944	(7,661)	(10.00)
Senior Services	13,825	13,000	(825)	(5.97)
Comprehensive Services Act	80,882	117,159	36,277	44.85
STOP Organization	1,621	1,621	-	-
	<u>489,539</u>	<u>504,724</u>	<u>15,185</u>	<u>3.10</u>
Parks, Recreation & Cultural				
Community Concert Association	5,700	5,500	(200)	(3.51)
Rawls Museum Arts	14,250	14,250	-	-
Historical Society	28,500	28,500	-	-
W.C. Rawls Library	253,433	257,897	4,464	1.76
	<u>301,883</u>	<u>306,147</u>	<u>4,264</u>	<u>1.41</u>
Community Development				
Planning	279,376	283,388	4,012	1.44
Economic Development	150,000	150,000	-	-
Soil & Water Conservation	9,766	9,911	145	1.48
Cooperative Extension	52,939	52,939	-	-
	<u>492,081</u>	<u>496,238</u>	<u>4,157</u>	<u>0.84</u>
Non-Departmental				
Non-Departmental Operating	36,000	34,000	(2,000)	(5.56)
	<u>36,000</u>	<u>34,000</u>	<u>(2,000)</u>	<u>(5.56)</u>
TOTAL GENERAL FUND EXPENDITURES	\$ 14,115,582	\$ 14,027,965	\$ (87,617)	(0.62)

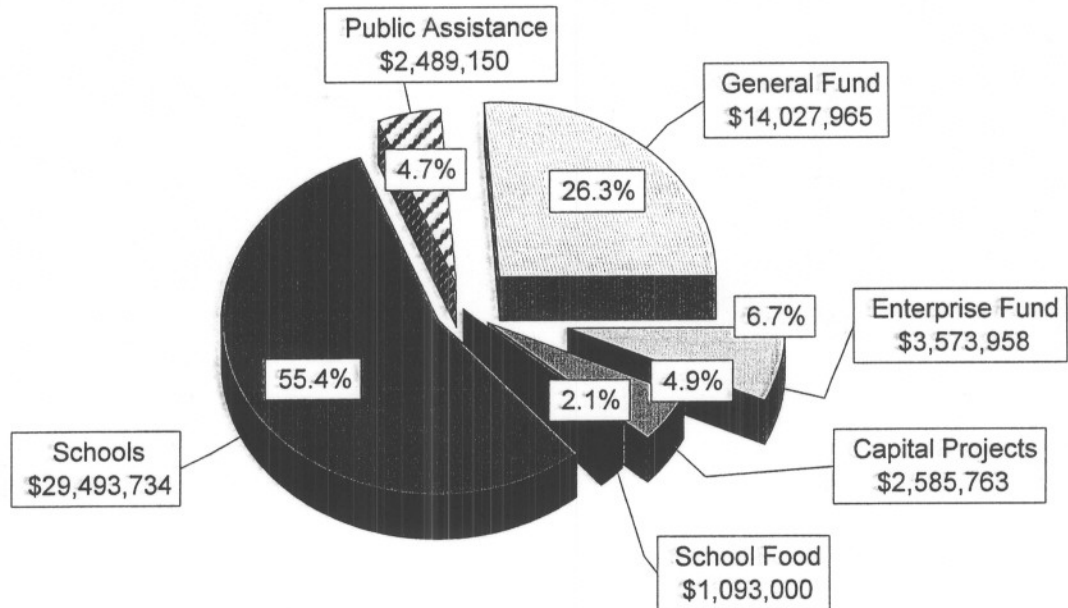
Projected FY 2011 Revenues



Local Funding Breakdown



Projected FY 2011 Expenditures



General Fund Breakdown

